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No. 87-1029

In the Supreme Court of the United States

OCTOBER TERM, 1987

MILLER INSITUFORM, INC. and
THOMAS E. SMITH,
Petitioners,

vs.

INSITUFORM OF NORTH AMERICA, INC.
and WILLIAM C. MILLER
and IRA B. MILLER,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF OF RESPONDENTS WILLIAM C. MILLER AND IRA B. MILLER IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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I.

REASONS FOR REFUSING THE WRIT

A. Summary of Argument.

Respondents William C. Miller and Ira B. Miller submit this brief in opposition to the petition for a writ of certiorari seeking review of the judgment of the Court of Appeals for the Sixth Circuit entered in this case on October 6, 1987, *Miller Insituform, Inc. v. Insituform of*

North America, Inc., 830 F.2d 606 (6th Cir. 1987). Petitioners advance two arguments in support of their request for review. First, they contend that the judgment of the Court of Appeals, if not reversed, would set a precedent allowing patent holders to abuse their patents in violation of the federal antitrust laws without check. Second, petitioners assert that the judgment below is in conflict with opinions of various district courts and "with the construction placed on 35 U.S.C. § 154" by this Court. Petition for a Writ of Certiorari at 6. Neither argument is correct, and neither argument presents the "special and important" considerations that are a necessary prerequisite to this Court's exercise of discretion in favor of review. Sup. Ct. R. 17.1.

B. The Judgment Below in No Way Sanctions Abuse of Patents by Patent Holders.

The key question in this case is whether the holder of a patent who terminates a contract under which he has sublicensed his patent thereby violates § 2 of the Sherman Act, 15 U.S.C. § 2. The federal patent law expressly gives a patentee "the right to exclude others from making, using, or selling the invention. . . ." 35 U.S.C. § 154. The very object of the patent law is to grant a legal monopoly to the patentee in order to foster useful inventions. Accordingly, it has long been the general rule that the holder of a legally acquired patent may engage in conduct that might otherwise be deemed an actionable restraint of trade. The patent holder may, *inter alia*, refuse to license the patent to others, and may reserve exclusive use to himself. *E.g., Bement v. National Harrow Co.*, 186 U.S. 1058 (1902); *Morton Salt Co. v. Suppiger*, 314 U.S. 488 (1942); *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195 (2nd Cir. 1981), *cert. den.*, 455 U.S.

1016 (1982). The Sixth Circuit opinion in this case correctly identifies this general rule for dealing with the tension between a monopoly created under the patent law and monopolies proscribed by the antitrust laws. *Miller Insituform, Inc. v. Insituform of North America, Inc.*, 830 F.2d 606, 608 (6th Cir. 1987).

At the same time the Sixth Circuit, also correctly, recognizes that a patent monopoly is a limited monopoly. *Id.* The Sixth Circuit emphasizes, accordingly, this Court's holding in *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 136 (1969), that use of a patent to restrain trade *beyond the scope granted by the patent* may result in an antitrust violation. 830 F.2d at 609. For example, tying the license of a patent to unpatented articles of commerce is an illegal attempt to expand the patent monopoly beyond its scope. *Morton Salt Co. v. Suppiger,* 314 U.S. at 491. In short, the Sixth Circuit, in setting out the law applicable to the question before it, clearly and properly distinguishes between permissible maintenance of the limited monopoly power that is the natural and intended consequence of a lawfully acquired patent and impermissible patent abuse *outside* the scope of the patent monopoly.

The court below also correctly applied these well-settled legal standards to the issue before it. The Sixth Circuit reasons that, as patent holder, respondent Insituform of North America ("INA"), has the right under 35 U.S.C. § 154 to exclude all others from using its patent. *Miller Insituform, Inc. v. Insituform of North America, Inc.*, 830 F.2d at 609. INA's termination of its sublicense agreement with petitioners was nothing more than an exercise of that right. *Id.* Such termination, even if it were a breach of the contract, is not an abuse of the patent; it is conduct clearly within the scope of the patent monopoly. *Id.*

Thus, the Sixth Circuit has correctly stated and applied well-established legal principles in rendering its decision. Nothing in its opinion could possibly be read to invite "greater fraud and abuse in the marketplace by patent holders," Petition for a Writ of Certiorari at 8, because the opinion below draws a clear line between the patentee's right to exclude others and his duty not to misuse the patent grant. Review predicated on petitioners' assertions to the contrary is unwarranted.

C. The Decision of the Sixth Circuit Is Not in Conflict With a Decision of Any Other Federal Court of Appeals and Is Not at Odds With This Court's Interpretation of 35 U.S.C. § 154.

A discretionary review on writ of certiorari will be granted only when there exist "special and important reasons therefor." Sup. Ct. R. 17.1. One such reason may be present "[w]hen a federal court of appeals has rendered a decision in conflict with the decision of another federal court of appeals." *Id.* R. 17.1(a). This is, however, not the case here. The decision of the Sixth Circuit in the case at bar does not conflict with the decision of another federal court of appeals, and, indeed, petitioners point to no such conflict.

Instead, petitioners rely on what they profess to be a conflict with decisions of federal *district* courts. Petition for a Writ of Certiorari at 6-7. None of the district court cases cited in the Petition in fact conflicts with the decision of the Sixth Circuit. But even if such a conflict did exist, that would not present a proper occasion for granting certiorari. The policy behind granting certiorari to resolve conflicts among the *circuits* is to

achieve a uniform application of federal law in the intermediate federal courts. The Supreme Court is the only court that can bring such consistency. That policy does not pertain, however, when the conflict is one between a federal trial court and a federal appellate court, since such a conflict is a matter capable of resolution by the courts of appeal. Harlan, *Manning The Dikes,* 13 Rec. A.B. City N.Y. 541, 552 (1958).

Finally, petitioners offer in support of review a purported conflict between the Sixth Circuit's decision and this Court's construction of 35 U.S.C. § 154. Here, again, there simply is no conflict. In *Morton Salt Co. v. Suppiger,* 314 U.S. 488, 492 (1942), this Court recognized that the patent laws grant the patent holder a monopoly. The Court simultaneously noted that the monopoly is a limited one: it is limited to the exclusive right of the patent holder to make, use and vend the patented article during the term of the patent. *Id.* at 491. This is precisely the "construction" placed upon 35 U.S.C. § 154 by the Sixth Circuit in this case. *Miller Insituform, Inc. v. Insituform of North America, Inc.,* 830 F.2d at 608-609. Since there is no conflict requiring resolution by this Court, the petition for certiorari should be denied.

II.

CONCLUSION

The petition for certiorari should not be granted. There are no special or important reasons that even suggest that review is merited. The Sixth Circuit's affirmation of the district court's summary judgment in favor of respondents is based on well-established legal principles correctly applied to the facts. The Sixth Circuit's decision is not in conflict with the decision of another federal court of appeals on the same matter, nor is it at odds with the decisions of federal district courts or with prior decisions of this Court.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that three (3) copies of the foregoing Brief of Respondents in Opposition to Petition For A Writ of Certiorari have been forwarded by first class mail, postage prepaid, to Steven A. Riley, BASS, BERRY & SIMS, 2700 First American Center, Nashville, Tennessee 37238, Counsel for Respondent, Insituform of North America, Inc., and to Gail P. Pigg, 219 Second Ave., North, First Floor Suite, Nashville, Tennessee 37201, Counsel for Petitioners, this the 19th day of January, 1988.

Andrée K. Blumstein